

Message Text

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12

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 EB-11 COME-00 TRSE-00 OMB-01 FEA-02

INT-08 AID-20 XMB-07 DRC-01 /149 W

----- 007227

R 302104Z JAN 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 1113

INFO AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

AMCONSUL CALI

AMCONSUL MEDELLIN

UNCLAS BOGOTA 0838

EO 11652: NA

TAGS: EMIN ENRG CO

SUBJ: COLOMBIA RELIEVES EXTRACTIVE INDUSTRIES FROM ANDEAN

INVESTMENT CODE

REF: BOGOTA 112 NOTAL

1. SUMMARY: IMPORTANT NEW COLOMBIAN DECREE GIVES SIGNIFICANT RELIEF FROM ANDEAN PACT FOREIGN INVESTMENT CODE TO EXTRACTIVE INDUSTRIES. CODE'S ABOLITION OF DEPLETION ALLOWANCE REJECTED, CONCESSION CONTRACTS SUBJECT ONLY TO NATIONAL, NOT ANDEAN, RESTRICTIONS, AND 14 PERCENT PROFIT REPATRIATION LIMIT MAY YET BE RELAXED. US COMPANIES PLEASED WITH DECREE. END SUMMARY.

2. DECREE NO 2788 ISSUED LATE JAN BUT BACKDATED TO DEC 31, 73 EXERCISES OPTION CONTAINED ART 44 OF DECISION 24 (ANDEAN PACT FOREIGN INVESTMENT CODE) TO DECLARE THAT SUBSECTIONS ONE THROUGH UNCLASSIFIED

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FOUR OF ART 40 OF THE CODE SHALL NOT BE APPLIED TO FOREIGN

ENTERPRISES IN BASIC PRODUCTS SECTOR (IE, MINERALS, INCLUDING HYDROCARBONS, AND FOREST PRODUCTS). THUS ART 40'S RESTRICTIONS ON CONCESSION CONTRACTS, PROHIBITION OF DEPLETION ALLOWANCE, AND EXHORTATION TO PETROLEUM SERVICE CONTRACTS WILL NOT RPT NOT APPLY IN COLOMBIA. RATHER PREEXISTING NATIONAL LEGISLATION WILL CONTINUE TO CONTROL THESE MATTERS.

3. DECREE FURTHER LEAVES OPEN OPTION PROVIDED BY FIFTH SUBSECTION OF ART 40, BY REPEATING PROVISION OF PREVIOUS DECREE ON COLOMBIAN IMPLEMENTATION OF CODE (REFTEL) TO EFFECT THAT NATIONAL COUNCIL ON ECONOMIC AND SOCIAL POLICY MAY ACCORD DIFFERENT TREATMENT TO FOREIGN FIRMS IN THIS SECTOR THAN IS SET FORTH IN ART 37 OF THE CODE. ART 37 LIMITS ANNUAL PROFIT REPATRIATION TO 14 PERCENT OF DIRECT INVESTMENT.

4. EARLIER DECREE REPORTED REFTEL PROVIDED CERTAIN EXCEPTIONS FOR FOREIGN BANKS AND FIRMS ENGAGED IN DOMESTIC COMMERCE, BUT DID LITTLE FOR EXTRACTIVE INDUSTRIES. PRESENT DECREE WARMLY WELCOMED BY US MINING AND PETROLEUM COMPANIES HERE FOR "RESTORING" DEPLETION ALLOWANCE AND DERESTRICTING CONCESSION CONTRACTS. WHITE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT LAW, PETROLEUM INDUSTRY, WOOD PRODUCTS, COMMON MARKETS, INDUSTRIAL CONTROLS, MINING INDUSTRY, TAX RELIEF, DEPLETION ALLOWANCES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BOGOTA00838
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974017/aaaaafrv.tel
Line Count: 82
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: BOGOTA 112 NOTAL
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 17 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 APR 2002 by davisw>; APPROVED <27 NOV 2002 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COLOMBIA RELIEVES EXTRACTIVE INDUSTRIES FROM ANDEAN INVESTMENT CODE
TAGS: EMIN, ENRG, CO, ANDEAN PACT, CAF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005